

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 19 NOVEMBER 2019

CIPFA'S STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT IN A PUBLIC SERVICE ORGANISATION

REPORT BY CATHIE WYLLIE, SERVICE LEADER (INTERNAL AUDIT)

ABSTRACT

Cipfa's updated Statement on the Role of the Head of Internal Audit in a Public Sector Organisation (the Statement) was first brought to members' attention in Report 195/19. Report 195/19 noted that a self-assessment against the Statement was currently being undertaken and the results would be reported to a future Scrutiny & Audit committee meeting. This report fulfils that undertaking.

1. RECOMMENDATION

It is recommended that the Committee:

- (i) Note the results summarised at section 4 below from the reviews undertaken by the Service Leader Internal Audit, CLT and CGOG, and
- (ii) Consider the points that are specifically for the Scrutiny & Audit Committee, noted in section 5 below, and confirm current arrangements or provide comments for future action by the committee, officers or the HIA if necessary.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

The work of the Scrutiny and Audit Committee supports the achievement of the corporate priorities set out in the Local Outcomes Improvement Plan and the Council Plan. This report supports the delivery of work by Internal Audit, which in turn provides a significant amount of the assurances required by the Scrutiny and Audit Committee in fulfilling its remit.

3. BACKGROUND

The updated Statement was published in May 2019. The Service Leader Internal Audit is the Angus Council Head of Internal Audit (HIA) and the Scrutiny and Audit Committee is the Audit Committee as defined in the Statement.

The "Status of the Cipfa Statement" section of the document includes the following:

"The Statement is Principle-based and should be relevant to all public service organisations and their HIAs. It is intended to be helpful to a wide audience including leadership teams, chief executives, audit committees and other stakeholders as well as HIAs themselves.

We believe organisations should see the Statement as best practice and use it to support their HIA arrangements and drive up audit quality and governance arrangements"

"The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them."

Internal audit in Local Government is required to comply with the Public Sector Internal Audit Standards (PSIAS), and the Statement aligns the Principles with the Core Principles in PSIAS.

Under each Principle the Statement notes organisational and core HIA responsibilities, and provides commentary to aid interpretation.

Following the Principles the Statement includes two further sections on

- The personal skills and professional standards of the HIA that are necessary to support the five Principles in practice, and
- Definitions used throughout the document

The Principles are included in the following table.

The Principles	
<p>The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:</p> <ol style="list-style-type: none"> 1. Objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control 2. Championing best practice in governance and commenting on responses to emerging risks and proposed developments. 	<p>To perform this role the head of internal audit must:</p> <ol style="list-style-type: none"> 3 be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee 4 lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively 5 be professionally qualified and suitable experienced

4. CURRENT POSITION

A self-assessment against the organisational and HIA individual responsibilities under each Principle in the Statement was undertaken by the Service Leader Internal Audit. This identified that the Council, and Service Leader, comply with the Principles. A small number of items were identified for further consideration to improve current practices. These were discussed at CLT and CGOG. The main areas for future improvement are noted below and will be progressed by the HIA.

Strengthening the Internal Audit planning process

- As the Council's revised risk management arrangements are embedded in the organisation their impact will strengthen the ability of the HIA to provide risk-based plans and assurances.
- Wider use of Pentana for performance management and risk management will allow better assurance mapping to inform internal audit planning.

Early involvement in changes to systems and policies

- Arrangements for the HIA to advise on, or provide assurance on, all major projects, programmes and policy initiatives could be stronger and this will be addressed through closer ties with other managers and attendance at relevant project meetings.
- HIA is now routinely provided with CLT agenda and papers in advance of meetings providing an opportunity to comment if required.

5. PROPOSALS

Responsibilities that the Scrutiny and Audit Committee should consider are noted below, together with current arrangements. The Committee is asked to consider these and confirm them or suggest further arrangements if needed.

Responsibility	Current arrangements
<p><u>Principle 4 Organisational responsibility</u> Ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate.</p>	<ul style="list-style-type: none"> • Comments at individual meetings are taken on board by the HIA and internal audit service as required. • Progress reports to every meeting allow scrutiny of progress with delivering the plan. • The committee approve the plan and in-year changes and could challenge if they felt anything was inappropriate. • The action plan from the PSIAS self-assessment is included in the HIA Annual Report. • The Counter Fraud Cipfa self-assessment is included in the Annual Counter Fraud report. • PSIAS compliance is externally reviewed and reported to committee at least every five years. The next review is due to take place in 2019/20
<p><u>Principle 4 Organisational responsibility</u> Ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS</p>	<ul style="list-style-type: none"> • PSIAS (QAIP) action plan reported to committee • Committee involvement with review of progress with audit plan at each meeting
<p><u>Principle 4 HIA responsibility</u> Establish a quality assurance and improvement programme that includes providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and audit committee, annually reporting achievement</p>	<ul style="list-style-type: none"> • Activity update to each meeting covering the plan and implementation of agreed actions • Cipfa Directors of Finance KPI reported in annual report re productive hours

5. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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